

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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### Weekly Highlights and Hot Bites No. 24

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**Report Highlights:**

\*Wheat output to touch record 86 million tons\*, \*Food Ministry plans to expand wheat and rice procurement by 10 million tons\*, \*Japan seeks out India for African development\*, \*Food inflation dips to 8.96 percent\*, \*India raises concerns on imported food, enhances safety norms\*, \*New Food Safety Law likely to cost India over \$3-4 billion in next 4-5 years\*, \*India industry body recommends farm mechanization to increase food productivity\*, \*Import duty on sugar likely as acreage improves\*, \*It's no longer Kirana (Mom-n-Pop Stores) versus Modern Retail\*.

## **General Information:**

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

## **WHEAT OUTPUT TO TOUCH RECORD 86 MILLION TONS**

A senior ministry of agriculture officials stated that India's wheat production in the current year (MY 2011/12) may touch a record 86 million tons compared to 80.8 million tons a year earlier. Earlier in April, the ministry had projected a wheat crop of 84.2 million tons, a record crop due to favorable weather conditions and higher planting. A bumper wheat harvest is likely to encourage the government to relax the existing ban on wheat exports, which has been in place for last four years. Buoyed by the initial excellent monsoon rains, ministry of agriculture expects rice production in the upcoming MY 2011/12 to reach a record 102 million tons if the monsoon progresses normally henceforth through the season. (Source: [Financial Express](#), 06/14/2011)

## **FOOD MINISTRY PLANS TO EXPAND WHEAT & RICE PROCUREMENT BY 10 MILLION TONS**

The Ministry of Food plans to augment wheat and rice procurement by an additional 10 million tons to meet the expected demand for 70 million tons of food grains under the proposed National Food Security Act. Currently, the government procures about 60 million tons of wheat and rice, about 30 percent of the total production, for the government's public distribution system. The government has announced an increase in the minimum support price of paddy by Rs. 800 per metric ton to Rs. 10,800 per metric ton for the upcoming season, which should support higher government procurement. However, higher government procurement is likely to increase the government's food subsidy budget nearly 25 percent to Rs. 1000 billion (\$22.2 billion). The Ministry of Food has finalized the draft National Food Security Bill, which aims to provide legal right for subsidized food grains to 68 percent of the Indian population of 1.2 billion. (Source: [Economic Times](#), 06/13/2011)

## **JAPAN SEEKS OUT INDIA FOR AFRICAN DEVELOPMENT**

After less than a month of the Indo-Africa summit, Japan is seeking collaboration with India for the development of Africa. Representative of the Japanese Prime Minister for Africa, Sumio Kusaka, met with the Indian officials at the Ministry of External Affairs to explore opportunities for collaboration for African Development. Mr. Kusaka has also sought Indian participation in a trade and investment seminar being organized in Japan later this year to explore the potential areas of cooperation. (Source: [Indian Express](#), 06/16/2011)

## **FOOD INFLATION DIPS TO 8.96 PERCENT**

Food inflation went down marginally to 8.96 percent for the week ending June 4 on the back of cheaper pulses and vegetables. Food inflation, as measured by the Wholesale Price Index (WPI), stood at 9.01 percent in the previous week, while it was over 21 percent in the first week of June last year. The fall, although marginal, is likely to be seen as a silver lining by the government, which has been battling the high rate of price rise across all segments for the past few months. Further moderation of food prices will now depend mainly on how the monsoon behaves in the coming days. Experts expect that a good monsoon will bring more moderation in food prices. RBI says that the progress of the southwest monsoon has been satisfactory so far and will help boost farm output in the 2011-12 crop year. (Source: Asian Age, 06/17/2011)

## **INDIA RAISES CONCERNS ON IMPORTED FOOD, ENHANCES SAFETY NORMS**

The Food Safety and Standards Authority of India (FSSAI) issued an advisory to the states and authorized officers at the ports of entry to keep a strict vigil on imported honey, prompted by reported cases of antibiotic contamination. Besides honey, FSSAI has also directed ports of entry to monitor fresh vegetables and fruits from Europe following the E-Coli bacteria scare. Earlier this month, the FSSAI issued guidelines related to port clearance of wines and alcoholic products. The guidelines elaborated on exemptions regarding declaration of “best before date of consumption” to certain imported wines and alcoholic products. The FSSAI is also looking at GAP (good agricultural practice) as an effective way of assuring food safety. According to an official, FSSAI will now start putting GAP-certification as mandatory for large retail companies in India. Organic food certification is another focus area for the authority. (Source: [Business Standard](#), 06/14/2011)

#### **NEW FOOD SAFETY LAW LIKELY TO COST INDIA OVER \$3-4 BILLION IN NEXT 4-5 YEARS**

India will need around \$3-4 billion in four to five years for implementing the Food Safety & Standards Rules, 2011, according to estimates by the health ministry. The Indian Planning Commission is expected to take a call soon on the expenditure, which will be a component of the health ministry’s 12th five year plan allocation. The food safety aspects will be covered under the five-year plan for the first time in India. According to Mr. V. N. Gaur, Chief Executive Officer of the Food Safety and Standards Authority of India, “the expenditure, for both the Centre and states, to implement the new food safety law would include the cost of additional manpower, modern infrastructure and laboratory upgradation.” The Food Safety & Standards Rules, 2011 would replace the 50-year Prevention of Food Adulteration Act from the first week of August. (Source: [Business](#), 06/16/2011)

#### **INDIA INDUSTRY BODY RECOMMENDS FARM MECHANIZATION TO INCREASE FOOD PRODUCTIVITY**

The Confederation of Indian Industry (CII) has asked the government to form a joint working group with private sector to suggest a roadmap for mechanization of farms to boost agricultural productivity. Proposing an 8-point plan to increase agricultural productivity, CII has recommended that a National Mission on Farm Mechanization should undertake work on an urgent basis. It further said that technology transfer from foreign firms could be promoted through joint ventures besides establishing R&D facilities. (Source: [Indian Express](#), 06/13/2011)

#### **IMPORT DUTY ON SUGAR LIKELY AS ACREAGE IMPROVES**

The import duty on sugar is likely to be increased this week. Zero duty on imports will end by June 30 even as sowing picks up pace, making it imperative for the government to put in place a clear policy well before the deadline expires. The domestic sugar industry is now lobbying to convince the food and commerce ministries that it is necessary to urgently open up the export quota, which has already been exhausted. (Source: [Economic Times](#), 06/14/2011)

#### **IT’S NO LONGER KIRANA (MOM-N-POP STORES) VERSUS MODERN RETAIL**

According to the data released by research firm, The Nielson Company since 2006, when most big retailers either entered the retail space or began expanding their network, sales in mom and pop stores grew in the low single digits, while modern trade has grown in double digits. Organized retail accounts for less than 10% of India’s retail market estimated at close to \$400 million. The Boston Consulting Group estimates the size of organized retail market at \$28 billion and expects it to grow nine times to \$260 billion in 10 years. The study shows that the frequency of consumers going to large stores has increased. More than 37% consumers visited modern trade stores every month this year, up from 30% last year. (Source: [Economic Times](#), 06/16/2011)

#### **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

REPORT #	SUBJECT	DATE SUBMITTED
IN1153	Weekly Hot Bites, #23	06/10/2011

IN1154	2011 Monsoon Report 1	06/10/2011
IN1155	India Announces Tariff Concessions to ASEAN	06/10/2011

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